

**Anita Municipal Utilities  
Independent Auditors' Report  
Basic Financial Statements  
Supplementary and Other Information  
Schedule of Findings**

**June 30, 2021**

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**Anita Municipal Utilities  
Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Terry Oathoudt	Chairman	July 2027
Delmar Kopp	Trustee	July 2025
Lee Poepppe	Trustee	Resigned June 2021
Leon Vogl	Superintendent	Indefinite
Carolyn Bond	Secretary/Treasurer	Indefinite



Diane McGrain, CPA  
Jim Menard, CPA  
Kelsey Peterson, CPA

January 5, 2022

## Independent Auditors' Report

To the Board of Trustees  
Anita Municipal Utilities  
Anita, IA

### Report on the Financial Statements

We have audited the accompanying financial statements of the business type activities and each major fund of Anita Municipal Utilities, a component unit of the City of Anita, as of and for the year ended June 30, 2021, and the related Notes to the Financial Statements, which collectively comprise the Utilities' basic financial statements listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Utilities' preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Utilities' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Continued...

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January 5, 2022  
Anita Municipal Utilities  
Independent Auditors' Report

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the business type activities and each major fund of Anita Municipal Utilities, a component unit of the City of Anita, as of June 30, 2021, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Other Matters

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Anita Municipal Utilities' basic financial statements.

The Other Information, the Budgetary Comparison Information, the Schedule of the Utilities' Proportionate Share of the Net Pension Liability and the Schedule of Utilities' Contributions on pages 20 through 24, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2022 on our consideration of Anita Municipal Utilities', a component unit of the City of Anita, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Anita Municipal Utilities', a component unit of the City of Anita, internal control over financial reporting and compliance.

*Schroer & Associates, PC*

Schroer and Associates, PC  
Council Bluffs, IA

## **Basic Financial Statements**

# Exhibit A

## Anita Municipal Utilities Cash Basis Statement of Activities and Net Position As of and for the year ended June 30, 2021

				Net (Disbursements)
				Receipts and
				Changes in
				Cash Basis
				Net Position

See notes to financial statements

Anita Municipal Utilities  
Statement of Cash Receipts, Disbursements and  
Changes in Cash Balances  
As of and for the year ended June 30, 2021

	Water	Electric	Total
Operating receipts:			
Charges for service	\$ 304,406	761,695	1,066,101
Total operating receipts	<u>304,406</u>	<u>761,695</u>	<u>1,066,101</u>
Operating disbursements:			
Business type activities:			
Plant operation and maintenance	39,733	399,131	438,864
Distribution operation and maintenance	101,351	283,915	385,266
Administration	71,838	75,438	147,276
Total operating disbursements	<u>212,922</u>	<u>758,484</u>	<u>971,406</u>
Excess of operating receipts over operating disbursements	91,484	3,211	94,695
Non-operating receipts (disbursements):			
Interest on investments	-	12,166	12,166
Rent	6,364	-	6,364
Intergovernmental	50,000	-	50,000
Miscellaneous	5,302	43,284	48,586
Sale of property		3,000	3,000
Capital projects	-	(229,803)	(229,803)
Debt service	(82,440)	(46,304)	(128,744)
Sewer fees collected for city	263,202	-	263,202
Sewer fees remitted to City	(263,202)	-	(263,202)
Total non-operating receipts (disbursements)	<u>(20,774)</u>	<u>(217,657)</u>	<u>(238,431)</u>
Change in cash balances	70,710	(214,446)	(143,736)
Cash balances beginning of year	<u>495,027</u>	<u>1,270,243</u>	<u>1,765,270</u>
Cash balances end of year	<u>\$ 565,737</u>	<u>1,055,797</u>	<u>1,621,534</u>
<b>Cash Basis Fund Balances</b>			
Restricted for debt service	\$ -	4,225	4,225
Unrestricted	<u>565,737</u>	<u>1,051,572</u>	<u>1,617,309</u>
Total cash basis fund balances	<u>\$ 565,737</u>	<u>1,055,797</u>	<u>1,621,534</u>

See notes to financial statements

**Anita Municipal Utilities  
Notes to Financial Statements  
June 30, 2021**

**NOTE 1 Summary of Significant Accounting Policies**

Reporting Entity

The Anita Municipal Utilities is a component unit of the City of Anita, Iowa, as determined by criteria specified by the Governmental Accounting Standards Board (GASB). The Utilities is governed by a three-member Board of Trustees appointed by the City Council, which exercises oversight responsibility under this criteria. The Utilities provides water and electric utilities for the residents of the City of Anita and collects sewer fees on behalf of the City of Anita.

Basis of Presentation

Government-wide Financial Statements – The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the Utilities. For the most part, the effect of interfund activity has been removed from this statement. Only business type activities are reported, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the Utilities' nonfiduciary net position. Net position may be reported in the following categories/components:

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding category. Unrestricted net position often has constraints on resources imposed by management, which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for proprietary funds. Major individual enterprise funds are reported as separate columns in the fund financial statements.

The Utilities reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the water system.

The Enterprise, Electric Fund accounts for the operation and maintenance of the electric system.

**Anita Municipal Utilities  
Notes to Financial Statements  
June 30, 2021**

**NOTE 1 Summary of Significant Accounting Policies - Continued**

Measurement Focus and Basis of Accounting

The Anita Municipal Utilities maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the Utilities are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the Utilities funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the Utilities' policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal and ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2021 disbursements exceeded the amount budgeted.

Cash and Time Deposits

The Utilities pools cash resources of most funds in a combined bank account to facilitate the management of cash. The Utilities makes disbursements and investments from the combined cash balance. Time deposits are stated at cost which approximates market. All interest is credited to the operating fund.

**NOTE 2 Cash and Pooled Investments**

The Utilities' deposits in banks at June 30, 2021 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against depositories to insure there will be no loss of public funds.

The Utilities is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Utilities Board; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trust; and warrants or improvement certificates of a drainage district.

The Utilities had no investments meeting the disclosure requirements of Governmental Accounting Standards Board No. 72.

**Anita Municipal Utilities**  
**Notes to Financial Statements**  
**June 30, 2021**

**NOTE 2 Cash and Pooled Investments - Continued**

Interest rate risk – The Utilities’ investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the Utilities.

**NOTE 3 Notes Payable**

A summary of changes in notes payable for the year ended June 30, 2021 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Revenue debt	\$ 1,510,000	-	95,000	1,415,000	97,000

Revenue Notes

A summary of the Utilities’ June 30, 2021 revenue notes payable is as follows:

Year Ending	Electric Issue August 25, 2015			Water Issue April 8, 2016			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
June 30,									
2022	2.85%	\$ 36,000	4,548	1.75%	\$ 61,000	18,585	\$ 97,000	23,133	120,133
2023	2.85	36,000	9,035	1.75	63,000	17,517	99,000	26,552	125,552
2024	2.85	37,000	8,030	1.75	64,000	16,415	101,000	24,445	125,445
2025	2.85	38,000	6,954	1.75	65,000	15,295	103,000	22,249	125,249
2026	2.85	38,000	5,871	1.75	67,000	14,158	105,000	20,029	125,029
2027-2031	2.85	168,000	12,836	1.75	353,000	52,798	521,000	65,634	586,634
2032-2036	-	-	-	1.75	389,000	20,685	389,000	20,685	409,685
Total		\$ 353,000	47,274		\$ 1,062,000	155,453	\$ 1,415,000	202,727	1,617,727

The Utilities have pledged future electric customer receipts, net of specified operating disbursements, to repay \$750,000 of electric revenue notes issued in August 2015. Proceeds from the notes provided financing for the construction of an electric substation. The notes are payable solely from electric customer net receipts and are payable through 2031. Annual principal and interest payments on the notes required more than 100% of net receipts for the current year. The total principal and interest remaining to be paid on the notes is \$400,274. For the current year, principal and interest paid and total customer net receipts were \$46,304 and \$3,211, respectively.

**Anita Municipal Utilities  
Notes to Financial Statements  
June 30, 2021**

**NOTE 3 Notes Payable - Continued**

The Utilities have pledged future water customer receipts, net of specified operating disbursements, to repay \$1,600,000 of water revenue notes issued April 2016. Proceeds from the notes provided financing for the construction of a water treatment plant. The notes are payable solely from water customer net receipts and are payable through 2036. Annual principal and interest payments on the notes required less than 90% of net receipts. The total principal and interest remaining to be paid on the notes is \$1,217,453. For the current year, principal and interest paid and total customer net receipts were \$79,635 and \$91,484, respectively.

The resolutions providing for the issuance of the revenue notes include the following provisions:

- a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- b) Sufficient monthly transfers shall be made to separate water and electric revenue note sinking accounts for the purpose of making the note principal and interest payments when due.
- c) All funds remaining in the water account after the payment of all maintenance and operating expenses and required transfers shall be placed in a water revenue surplus account. This account is restricted for note and interest payments which the water revenue sinking account might be unable to make.

The Utilities has complied with the resolutions.

**NOTE 4 Pension Plan**

Plan Description - IPERS membership is mandatory for employees of the Utilities, except for those covered by another retirement system. Employees of the Utilities are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.



**Anita Municipal Utilities**  
**Notes to Financial Statements**  
**June 30, 2021**

**NOTE 4 Pension Plan - Continued**

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2021, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the Utilities contributed 9.44% of covered payroll, for a total rate of 15.73%.

The Utilities' contributions to IPERS for the year ended June 30, 2021 were \$20,664.

**Anita Municipal Utilities  
Notes to Financial Statements  
June 30, 2021**

**NOTE 4 Pension Plan - Continued**

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2021, the Utilities' liability for its proportionate share of the net pension liability totaled \$177,154. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Utilities' proportion of the net pension liability was based on the Utilities' share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2020, the Utilities' proportion was 0.0025219%, which was a decrease of 0.000071% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021 the Utilities' pension expense, deferred outflows of resources and deferred inflows of resources totaled \$27,179, \$33,814 and \$18,765 respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Rate of Inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2020 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**Anita Municipal Utilities**  
**Notes to Financial Statements**  
**June 30, 2021**

**NOTE 4 Pension Plan – Continued**

Actuarial Assumptions - continued

Asset Class	Asset Allocation	Long-Term Expected
		Real Rate of Return
Domestic equity	22.0 %	4.43 %
International equity	17.5	5.15
Global smart beta equity	6.0	4.87
Core plus fixed income	28.0	-0.29
Public credit	4.0	2.29
Cash	1.0	-0.78
Private equity	11.0	6.54
Private real assets	7.5	4.48
Private credit	3.0	3.11
Total	<u>100.0 %</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Utilities' will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Utilities' Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Utilities' proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the Utilities' proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Utilities' proportionate share of the net pension liability	\$ 295,389	\$ 177,154	\$ 78,015

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

**Anita Municipal Utilities**  
**Notes to Financial Statements**  
**June 30, 2021**

**NOTE 5 Compensated Absences**

Anita Municipal Utilities' employees accumulate a limited amount of earned but unused vacation and sick hours for subsequent use, or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the Utilities until used or paid. The Utilities' approximate liability for earned vacation and sick leave termination payments payable at June 30, 2021 is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 11,000
Sick leave	<u>12,500</u>
	<u>\$ 23,500</u>

Sick leave is payable when used or upon retirement or termination. If paid upon retirement or termination, an employee receives one-half of accumulated sick leave hours paid at the current effective hourly rate for that employee.

This liability has been computed based on rates of pay in effect at June 30, 2021.

**NOTE 6 Risk Management**

The Utilities is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 785 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986, for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital, and, if insufficient, by the subsequent year's member contributions.

The Utilities' property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The Utilities' annual contributions to the Pool for the year ended June 30, 2021 were \$23,738.

**Anita Municipal Utilities  
Notes to Financial Statements  
June 30, 2021**

**NOTE 6 Risk Management – Continued**

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$500,000 per claim. Claims exceeding \$500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Utilities' risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Utilities' risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the Utilities' risk-sharing certificate, or in the event a casualty claim, property loss or series of claims and losses exhausts the Pool's funds and any reinsurance and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. As of June 30, 2021, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The Utilities also carries commercial insurance purchased from other insurers for coverage associated with workman's compensation. The Utilities assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 7 Construction Commitments**

The Utilities had the following construction contract commitments at June 30, 2021:

	Contract Amounts	Paid to Date	Remaining Commitment	Retainage
Electric Substation:				
Engineer	\$ 104,180	104,099	81	-
Construction	761,277	687,335	<u>73,942</u>	<u>24,532</u>
			\$ <u>74,023</u>	<u>24,532</u>

**Anita Municipal Utilities**  
**Notes to Financial Statements**  
**June 30, 2021**

**NOTE 8 COVID-19**

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of Anita Municipal Utilities, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of Anita Municipal Utilities. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to Anita Municipal Utilities.

## **Other Information**

**Anita Municipal Utilities**  
**Budgetary Comparison Schedule of Receipts, Disbursements,**  
**and Changes in Balances – Budget and Actual (Cash Basis)**  
**Other Information**  
**Year Ended June 30, 2021**

	Actual	Less Funds Not Required to be Budgeted	Net	Budgeted Amounts	Budget to Net Variance
Receipts					
Use of money and property	\$ 18,530	-	18,530	-	18,530
Intergovernmental	50,000	-	50,000	-	50,000
Charges for services	1,329,303	263,202	1,066,101	1,233,850	(167,749)
Miscellaneous	51,586	-	51,586	-	51,586
Total receipts	<u>1,449,419</u>	<u>263,202</u>	<u>1,186,217</u>	<u>1,233,850</u>	<u>(47,633)</u>
Disbursements					
Business type activities	<u>1,593,155</u>	<u>263,202</u>	<u>1,329,953</u>	<u>1,233,850</u>	<u>(96,103)</u>
Change in fund balances	(143,736)	-	(143,736)	-	(143,736)
Balances beginning of year	<u>1,765,270</u>	<u>-</u>	<u>1,765,270</u>	<u>1,746,393</u>	<u>18,877</u>
Balances end of year	<u>\$ 1,621,534</u>	<u>-</u>	<u>1,621,534</u>	<u>1,746,393</u>	<u>(124,859)</u>

See Accompanying Independent Auditors' Report



**Anita Municipal Utilities  
Notes to Other Information – Budgetary Reporting  
June 30, 2021**

The Anita Municipal Utilities prepares a budget on the cash basis of accounting and submits it to the City Council. In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon classes of disbursements, known as functions, not by fund. The Utilities' disbursements are budgeted in the business type activities function.

During the year ended June 30, 2021, disbursements did not exceed the amount budgeted in the City business type activities function. However, Anita Municipal Utilities exceeded its own budget.

Anita Municipal Utilities  
Schedule of the Utilities' Proportionate Share of the Net Pension Liability  
Iowa Public Employees' Retirement System  
For the Last Seven Years\*  
(In Thousands)  
Other Information

	2021	2020	2019	2018	2017	2016	2015
Utilities' proportion of the net pension liability	0.002522%	0.002593%	0.002498%	0.002611%	0.002904%	0.003075%	0.003367%
Utilities' proportionate share of the net pension liability	\$ 177	150	158	174	183	152	134
Utilities' covered payroll	\$ 200	197	188	195	234	210	220
Utilities' proportionate share of the net pension liability as a percentage of its covered payroll	88.50%	76.14%	84.04%	89.23%	78.21%	72.38%	60.91%
IPERS' net position as a percentage of the total pension liability	82.90%	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

\* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30, of the preceding year.

See accompanying independent auditors' report

Anita Municipal Utilities  
Schedule of Utilities Contributions  
Iowa Public Employees' Retirement System  
For the Last Ten Years  
(In Thousands)  
Other Information

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Statutorily required contribution	\$ 21	19	19	17	17	21	19	20	18	16
Contributions in relation to the statutorily required contribution	21	19	19	17	17	21	19	20	18	16
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
Utilities' covered payroll	\$ 219	200	197	188	195	234	210	220	208	197
Contributions as a percentage of covered payroll	9.44%	9.44%	9.44%	8.93%	8.93%	8.93%	8.93%	8.93%	8.67%	8.07%

See accompanying independent auditors' report

Anita Municipal Utilities  
Notes to Other Information – Pension Liability  
Year ended June 30, 2021

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

**Independent Auditors' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Prepared in  
Accordance with *Government Auditing Standards***



Diane McGrain, CPA  
Jim Menard, CPA  
Kelsey Peterson, CPA

January 5, 2022

Independent Auditors' Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Prepared in Accordance with *Government Auditing Standards*

To the Board of Trustees of the  
Anita Municipal Utilities

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business type activities and each major fund of Anita Municipal Utilities, a component unit of the City of Anita, as of and for the year ended June 30, 2021, and the related Notes to Financial Statements, which collectively comprise the Utilities' basic financial statements, and have issued our report thereon dated January 5, 2022. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Anita Municipal Utilities' internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Anita Municipal Utilities' internal control. Accordingly, we do not express an opinion on the effectiveness of Anita Municipal Utilities' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of Anita Municipal Utilities' financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-21 to be a material weakness.

Continued...

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Anita Municipal Utilities' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of non-compliance or other matters which is described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Utilities' operations for the year ended June 30, 2021 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Utilities. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.


#### Anita Municipal Utilities' Responses to Findings

Anita Municipal Utilities' responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Anita Municipal Utilities' responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the Utilities' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Utilities' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Anita Municipal Utilities during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
Schroer & Associates, P.C.  
Council Bluffs, IA

**Anita Municipal Utilities  
Schedule of Findings  
Year Ended June 30, 2021**

**Part I: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

**I-A-21 Segregation of Duties**

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty, and maximizes the accuracy of the Utilities' financial statements.

Condition – We noted that the cash receipts listing, posting of the cash receipts to the cash receipts journal, and customer accounts are all done by the same person.

Cause – The Utilities has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the Utilities' ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – The Utilities should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response – We will consider this.

Conclusion – Response acknowledged. The Utilities should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.



**Anita Municipal Utilities  
Schedule of Findings  
Year Ended June 30, 2021**

**Part II: Other Findings Related to Required Statutory Reporting:**

**II-A-21      Certified Budget**

Comment - The budget certified by the City of Anita includes an amount budgeted for the Anita Municipal Utilities. Disbursements during the year ended June 30, 2021 did not exceed the amount budgeted in the business type activities function. However, the Utilities exceeded the budget amounts submitted to the City.

Recommendation – The Utilities should submit to the City an amendment amount before disbursements were allowed to exceed the budget. The City can then determine if an amendment needs to be filed.

Response – We will do this.

Conclusion – Response accepted.

**II-B-21      Entertainment Expense**

We noted no disbursements for parties, banquets or entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General opinion dated April 25, 1979.

**II-C-21      Travel Expense**

No disbursements of Utilities' money for travel expenses of spouses of Utilities' officials or employees were noted.

**II-D-21      Business Transactions**

No business transactions between the Utilities and Utilities' officials, employees or relatives of Utilities' officials were noted.

**II-E-21      Restricted Donor Activity**

No transactions were noted between the Utilities, Utilities' officials, Utilities' employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

**II-F-21      Bond Coverage**

Surety bond coverage of Utilities' officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

**Anita Municipal Utilities  
Schedule of Findings  
Year Ended June 30, 2021**

**Part II: Other Findings Related to Required Statutory Reporting - continued:**

**II-G-21      Board Minutes**

Comment - No transactions were found that we believe should have been approved in the Board minutes but were not.

Chapter 372.13(6) of the Code of Iowa requires that the minutes of all Utilities' Board proceedings be published within fifteen days of the meeting. The minutes of the Board proceedings were not always published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation – The Utilities should comply with Chapter 372.13(6).

Response – We will publish the minutes timely.

Conclusion – Response accepted.

**II-H-21      Deposits and Investments**

No instances of non-compliance with the deposit and investment provisions of Chapter 13B and Chapter 13C of the Code of Iowa and the Utilities' investment policy were noted.

**II-I-21      Revenue Notes**

The Utilities is in compliance with the provisions of revenue debt resolutions.

**II-J-21      Excess Balance**

Comment - The balance in the Enterprise Fund - Electric Account at June 30, 2021, was in excess of the fund's disbursements during the year.

Recommendation - The Utilities should determine the necessity of maintaining the substantial balance.

Response - We are in the process of implementing a capital improvement plan that will use the excess funds.

Conclusion - Response accepted.